

## **INVESTMENT POLICY**

### **Southern Tier Network, Inc. (STN)**

#### **PURPOSE**

The purpose of this Investment Policy is to provide guidance on the investment of STN's short and long-term cash including its investment objectives, responsibilities of the parties involved, its target asset allocation and permissible investments and diversification parameters. This policy is aligned with the New York Prudent Management of Institutional Funds Act ("NYPMIFA").

STN's cash, cash equivalents and marketable securities shall be classified into two categories and the asset allocation decisions made accordingly to ensure the policy objectives can be met:

- 1) Monthly operating needs and short-term reserve funds;
- 2) Long-term strategic funds (greater than 12 months).

#### **INVESTMENT OBJECTIVES**

The prioritized cash investment objectives are shown below:

1. Ensure the safety and preservation of principal as applied to Money Market & CD investments; Long term investments (i.e. Mutual Funds, ETF's) are subject to risk.
2. Maintain adequate liquidity to meet cash flow requirements and potential un-budgeted events;
3. Seek to achieve an economic return on its cash investments equal to or better than inflation as measured by CPI;
4. Sustain the long-term financial health and viability of the organization.

The above objectives will be accomplished by balancing interest rate, and reinvestment and event risks.

- Interest rate risk is defined as changes in the investment portfolio's market value due to changes in interest rates and credit spread;
- Investing is subject to reinvestment risk, which means when a security matures the proceeds may not be able to be reinvested at as high an interest rate as previously received. The market value of the portfolio and the risk of reinvestment should be managed to minimize volatility that could materially affect STN's financial statements;
- Event risk is defined as risk that changes the liquidity of an investment. STN will mitigate the effects of event risk including risk of default by:
  - Investing in safe, high credit quality instruments and funds;
  - Monitoring the portfolio and credit markets to respond appropriately to a significant reduction in credit rating of any investment issuer, guarantor, or depository or overall liquidity for an asset class or fund;
  - Include in the portfolio only marketable securities with an active secondary market to enable daily liquidity (except Bank Deposits).

## **GENERAL PROVISIONS**

- Any exception to this policy must have written approval of the finance committee prior to implementation.
- The Directors shall review and refresh as appropriate this policy on an annual basis.
- Management shall be responsible for transaction management of STN's cash including the execution of any transactions (e.g. purchase and redemption of any securities, funds, etc.) and the hiring and termination of, investment professionals as approved by the Board.
- Management shall provide to the Board on an annual basis a review of the portfolio balances, summary of transactions and performance metrics to monitor compliance to this policy.
- Any investment that is not expressly permitted under this Policy must be formally reviewed (due diligence) and approved by the Directors.
- The management shall execute its trades and manage the portfolio in compliance with all applicable state, federal and local laws and regulations concerning management of investment assets.

## **ROLES AND RESPONSIBILITIES – BOARD of DIRECTORS**

In managing the financial assets of STN, the Board of Directors will act in good faith and with the care an ordinarily prudent person in like position would exercise under similar circumstances. When making investment and management decisions, the Board shall consider STN's purposes, as well as the purposes of the specific investment funds. In making decisions regarding management and investment of STN's financial assets, the Board of Directors shall consider the following factors, if relevant:

- (1) general economic conditions;
- (2) the possible effect of inflation or deflation;
- (3) the expected tax consequences, if any, of investment decisions or strategies;
- (4) the role that each investment or course of action plays within the overall investment portfolio of the specific Fund;
- (5) the expected total return from income and the appreciation of its investments;
- (6) other resources of STN;
- (7) the needs of STN and the specific fund to make distributions and to preserve capital; and
- (8) an asset's special relationship or special value, if any, to the purposes of STN.

The Board of Directors shall not make management and investment decisions regarding an individual asset in isolation but rather in the context of the specific fund's portfolio of investments as a whole and as part of an overall investment strategy having risk and return objectives reasonably suited to the fund and STN. The Board shall make reasonable efforts to verify facts relevant to the management and investment of the funds and may incur only costs that are appropriate and reasonable in relation to the assets, the purpose of STN and the skills available to STN.

- The Board of Directors has oversight responsibility for the cash investment management activities of STN's.
- The Board may establish an advisory committee (which may include non-directors) to provide investment advice. Advisory committees have no authority to act for the Board, but may monitor compliance with the investment policy, recommend changes, and assist the Board or Board Committee in selecting and retaining Investment Managers to execute this Investment Policy.
- The Board shall approve reasonable and consistent investment objectives and performance and risk metrics.
- Its oversight responsibilities include monitoring management and ensuring that appropriate due diligence is performed to select, as and when appropriate, one or more qualified investment professionals, including investment manager(s), investment consultant(s), and custodian(s).
- Regularly evaluating the performance of the portfolio and fund providers to assure adherence to investment policy.
- For Investments, greater than 12 months the Finance Committee shall approve both the fund and advisor.
- Reviewing the adequacy and effectiveness of STN's internal controls and financial reporting to include preventive and detective measures as appropriate.
- Decisions on hiring and terminating investment manager(s).

#### **RESPONSIBILITIES OF MANAGEMENT:**

- Overseeing investment activities;
- Investing excess funds as provided herein;
- Executing approved investment strategies;
- Serving as policy custodian;
- Ensuring internal controls are in place and operating effectively as shown below:
  - A reconciliation of investment statements to the general ledger accounts shall be performed monthly;
  - All investment portfolios must be covered by the company's liability and crime coverage insurance policies;

- All banks, brokers and custodians must carry adequate liability and crime coverage;
- The chief accounting officer shall have responsibility and authority over internal controls; however, controls may be removed only with the written consent of the Finance Committee.
- The chief accounting officer shall have responsibility for monitoring collateral to ensure that adequate compliance is in place.

## **COMPLIANCE**

STN's independent auditors shall audit annually compliance with this policy. Auditors shall review procedures and make recommendations for changes, as appropriate.

A copy of the policy and related procedures manual will be placed on file in the CEO's office and a second electronic/paper version will be maintained by Finance Committee Chairperson.

## **PERFORMANCE MEASUREMENT**

Management will provide ongoing oversight of operational cash to insure cash reserves are adequate to meet demands each period (month, quarter, year). Performance and risk objectives are to be met on a net of fees basis. Bank deposits or Bank CD or other instruments under 12 months are not required to be included in the performance measurement. The Long-Term investment performance of such assets will be measured against inflation objectives measured by CPI and against index objectives for individual portfolio components. Investment performance shall be measured no less than quarterly on a net of fees basis. Performance shall be evaluated over a one, three and five-year basis to allow for market fluctuations and volatility.

## **GENERAL INVESTMENT GUIDELINES**

- The Organization is a tax-exempt organization as described in section (501(c)(3)) of the Internal Revenue Code. This tax-exempt status should be taken into consideration when making Organization investments;
- Investment Managers shall have no discretion over selection of Investing Funds;
- Investments will be in compliance with Loan Covenants and other debt instruments, Reps & Warrants;
- Transactions shall be executed at competitive cost, taking into consideration prevailing market conditions and any services and or research provided by the executing broker.

### Prohibited Investments

Non-negotiable securities, illiquid securities, derivatives, commercial paper, high risk or junk bonds, private placements, precious metals, commodities, short sales, any margin transactions, straddles, warrants, options, life insurance contracts, leveraged investments, equity/stock or letter stock of a SEC registrant or private company.

### Approved Investments

The following instruments are approved for monthly operating needs and reserve/short-term investments:

- Bank Deposits (checking/savings) for operational needs up to \$250,000 (may exceed FDIC Limits at times)
- Bank Certificates of Deposits up to \$250,000 (FDIC insured limit and from highly rated institutions)
- Money Market Funds – fixed price funds

The following instruments are approved for long-term investments, defined as investments over 12 months:

- Approved Passive Indexed Mutual Fund or Exchange Traded Funds (ETF), Treasury Bills/Treasury Notes, and Bank CD's with maturities less than 60 months (also FDIC insured);
- Asset size in excess of \$5 billion;
- Bid offer spread of 5% maximum, and well diversified across sector types;
- No Loaded Funds;
- Finance Committee will approve Long Term Investments and the Fund.

### **ASSET ALLOCATION / DIVERSIFICATION**

STN will maintain a diversified portfolio of investment assets between asset classes and investment categories at all times. All investments must be immediately marketable. The approved types of investment can be allocated among the following three categories, but not to exceed the percentages indicated:

Category	Not More Than % of Total	Portfolio Instrument Types
Bank Deposits or CDs institutions	100% See "A" Below	Aspire to have Laddered Maturities from highly rated  Bank Deposits and Certificates of Deposit
Money Market Funds	100%	Shares of an open-end Investment Company registered under the Investment Company Act of 1940 as amended and in compliance with the SEC regulations under 2a-7
Mutual Funds and/or ETFs	33%	Shares of an open-end Investment Company registered under the Investment Company Act of 1940

#### Authorized Financial Institutions and Dealers

The Corporation shall maintain a list of financial institutions and dealers, approved for investment purposes and establish appropriate limits to the amount of investments which can be made with each financial institution or dealer. All financial institutions with which the local government conducts business must be credit worthy. Banks shall provide their most recent Consolidated Report of Condition (Call Report) at the request of the Corporation. Security dealers not affiliated with a bank shall be required to be classified as reporting dealers affiliated with the New York Federal Reserve Bank, as primary dealers. The Chairman or Treasurer of the Board of Directors is responsible for evaluating the financial position and maintaining a listing of proposed depositories, trading partners and custodians. Such listing shall be evaluated at least annually.

#### Collateralization of Deposits

All deposits of the Corporation, including certificates of deposit and special time deposits, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act shall be secured:

- a. By pledge of "eligible securities" with an aggregate "market value" as provided by the N-PCL (Not-for-Profit Corporation Law), equal to the aggregate amount of deposits from the categories designated in Exhibit A attached hereto.
- b. By an eligible "irrevocable letter of credit" issued by a qualified bank other than the bank with the deposits in favor of the Corporation for a term not to exceed ninety (90) days with an aggregate value equal to 140% of the aggregate amount of deposits and the agreed upon interest, if any. A qualified bank is one whose commercial paper and other unsecured short-term debt obligations are rated in one of the three highest rating categories by at least on nationally recognized statistical rating organization or by a bank that is in compliance with applicable federal minimum risk-based capital requirements.
- c. By an eligible surety bond payable to the Corporation for an amount at least equal to 100% of the aggregate amount of deposits and the agreed upon interest, if any, executed by an insurance company authorized to do business in New York State, whose claims-paying ability is rated in the highest rating category by at least two nationally recognized statistical rating organizations. The terms and conditions of any eligible surety shall be approved by the Board of Directors.

### Safekeeping and Collateralization

Eligible securities used for collateralizing deposits shall be held by the depository bank or trust company subject to security and custodial agreements.

The security agreement shall provide that eligible securities are being pledged to secure Corporation deposits together with agreed upon interest, if any and any costs or expenses arising out of the collection of such deposits upon default. It shall also provide the conditions under which the securities may be sold, presented for payment, substituted or released and the events, which will enable the Corporation to exercise its rights against the pledged securities. In the event that the securities are not registered or inscribed in the name of the Corporation, such securities shall be delivered in a form suitable for transfer or with an assignment in blank to the Corporation or its custodial bank.

The custodial agreement shall provide that securities held by the bank or trust company, or agent of and custodian for, the Corporation, will be kept separate and apart from the general assets of the custodial bank or trust company and will not, in any circumstances, be commingled with or become part of backing for any other deposit or other liabilities. The agreement should also describe that the custodian shall confirm the receipt, substitution or release of the securities. The agreement shall provide for the frequency of revaluation of eligible securities and for the substitution of securities when a change in the rating of a security may cause ineligibility. Such agreement shall include all provisions necessary to provide the Corporation a perfected interest in the securities.

Reviewed and adopted by Finance Committee: March 26, 2026  
Reviewed and adopted by STN Board: April 9, 2026